CARSON
COMMUNICATIONS

April 18, 2005

Ms. Marlene H Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554   *via electronic filing*

Re: American cable Association Petition for Rulemaking, RM-11203

Dear Ms Dortch:

On behalf of Carson Communications, I write to express our strongest support for ACA's petition for rulemaking on retransmission consent. I operate an independent cable company that serves customers in smaller rural areas, and believe that the petition accurately describes the upcoming retransmission consent crisis. Based on current industry information, we have been given the indication that many broadcasters will force us to charge additional subscription rates to cover new demands of cash for carriage. ACA's solution to this problem is <u>pro-competition, pro-consumer, and deregulatory</u>. It will benefit the consumers served by my company and will help keep down the costs of basic cable.

Provided below is some information about our company and why we think the Commission needs to grant ACA's petition.

<u>Company background</u>

Carson Communications is a Kansas Limited Liability Company headquartered in Wetmore, KS. Carson Communications serves about 5900 subscribers from 23 headends, many of which serve fewer than 50 subscribers each. Despite the very small size of our systems, Carson Communications currently makes broadband service available to more than 89% of its rural subscriber base.

Long-term trends and current market conditions have made the economics of operating Carson Communications' small rural systems extremely challenging. These terms and conditions include the following:

- <u>Limited access to capital</u>. Operating wire line networks is a capital intensive business, even more so in the sparsely populated rural areas of Kansas. As capital and debt markets have chilled throughout the cable and telecommunications sectors, the smaller market cable sector has been especially

hard hit. As a result, Carson Communications has limited access to capital to meet the demands that may be thrust upon us during the upcoming retransmission negotiations, without passing that on to our customers, consequently leaving them angry and some will possibly drop our service.

- **Programming cost increases**. Carson Communications has faced sharply increasing programming costs from satellite providers. For example, ESPN has historically increased rates by 20% annually. The company will have little leverage to negotiate programming rates with media conglomerates like Disney/ABC, CBS/Viacom, and GE/NBC. DBS competition has constrained the company's ability to raise rates, thus squeezing margins for Carson Communications.

- **DBS Competition**. As the GAO recognition in its 2003 report on the cable industry, competition from DBS providers Echo Star and DirecTV is fierce in small markets like those served by Carson Communications. DBS competition materially impacts Carson Communications' operations. DBS's competitive advantages include national advertising, the ability to offer hundreds of channels, access to public capital and debt markets, and lower regulatory burdens. To compete with DBS, Carson Communications will have to keep rates down by absorbing increased programming costs, while at the same time investing available capital in system upgrades to offer more channels that may be demanded through carriage requirements

In the face of these factors, Carson Communications remains committed to operating these small systems in a profitable manner. A key component of the company's success will be to contain operating costs. Carson Communications will suffer severe financial hardship if all of our broadcasters mirrored the efforts being made by Nexstar broadcasting in other markets.

Why we support ACA's Petition

Basically, all that ACA asks for is a right for us to shop and only when a broadcaster demands a price for retransmission consent. In my markets, I believe this will work to lower the cost of retransmission consent for my customers.

First, I believe that I could obtain network programming at a lower cost from other broadcasters. I can do this by receiving signals from neighboring markets.

Second, if the broadcasters in my market know alternatives exist, I feel we will have some leverage in negotiations. Having alternative solutions can assist in the negotiation process and it may help in retransmission consent.

As stated in the petition, the problem is not that broadcasters demand a "price" for retransmission consent. The problem is that they block our ability to find lower-cost alternatives. The petition shows how this problem will easily cost consumers and smaller cable operators upwards of $1 billion next year. In my markets, <u>if the broadcasters mirror Nexstar's proposed fees this will cost my company at least $546,000 per year and our subscribers at least $92 per year</u>. Furthermore, can you imagine the impact on the basic service tier subscriber?

By making the limited changes requested by ACA, the Commission will bring some market discipline to retransmission consent "pricing." This will help to keep our costs down and will benefit our consumers.

Our concern for localism

As a final point, I want the Commission to know that we support local broadcasting and prefer to carry our local broadcasters. We currently provide 192,720 hours of local programming per year in multiple cable systems on our cable system. We understand the importance of local programming, but we also understand how much our customers are willing to pay for it. The problem is the cash for carriage being demanded by more and more owners of these stations. Most often the owners are based in corporate headquarters hundreds or thousands of miles away. Frankly, they don't care about localism. They just want our customers' money.

We fully support a fair exchange of value for carriage of local signals. But when broadcasters demand a "price" we need the ability to "shop" to get a "price" that fairly reflects the value of the signal. Please act on ACA's petition as soon as you can.

Sincerely,

_____/s/_____
Robert Carson

President/General Manager